

Advertising Age

Crain's International Newspaper of Marketing. In Two Sections. Section 1.

Reynolds smolders

Saatchi dismissal prompts look at all agencies

By JUDANN DAGNOLI

RJR Nabisco's abrupt firing of Saatchi & Saatchi DFS Compton may prompt a realignment of the company's entire agency roster.

The big winners could be FCB/Leber Katz Partners and Lowe Marschall, two agencies on the food and tobacco conglomerate's current roster.

RJR Nabisco fired S&S DFS in an apparent fit of pique over a TV commercial the agency created for its \$55 million Northwest Airlines account. The spot shows passengers applauding the airline's in-flight smoking ban.

The commercial was only part of a \$5 million effort lasting nine weeks. The "applause" commercial will end its run soon, to be replaced by a spot in which passengers send up a "Hip, hip, hooray" cheer.

S&S DFS also handles True cigarettes for Lorillard.

Although a Lorillard spokeswoman said the company was upset about the Northwest spot, it had no plans to move its account from the agency.

RJR Nabisco, the nation's fourth-largest advertiser, is not commenting on its plans to place the \$80 million domestic cookie and confectionery advertising pulled from S&S DFS last week. But speculation among agencies is that the

company may shuffle other food brands in the process.

Most sources believe the company will keep the assignments at an existing RJR Nabisco agency but split the accounts differently.

The business up for grabs includes such plum assignments as Oreo and Chips Ahoy!, the two leading cookies in the U.S.; Bubble Yum and CareFree gums; and Life-Savers roll candy.

Media buying is not included because RJR handles that in-house.

Speculation is that FCB/Leber Katz, New York, agency for Salem, Vantage and More cigarettes, has the best shot at the Nabisco business. Agency Chairman-CEO Stanley Katz is known to have a close relationship with RJR.

See Editorial on P. 16 and related stories on P. 80, 81.

Mr. Katz said the agency has no conflicts in the baked goods and candy categories.

Lowe Marschall, agency for Nabisco's grocery division, is believed to have been trying to attract more Nabisco businesses. The agency also handles public service announcements for the United Way, a favorite charity of F. Ross Johnson, RJR Nabisco president-ceo.

Other RJR Nabisco agencies don't seem to have as strong a chance at snaring the business.

McCann-Erickson Worldwide, which has Camel cigarettes plus the company's Del Monte line, is considered doubtful for more business because it already handles \$80 million in baked goods for Nabisco.

Young & Rubicam is discounted from pitching due to (Continued on Page 80)

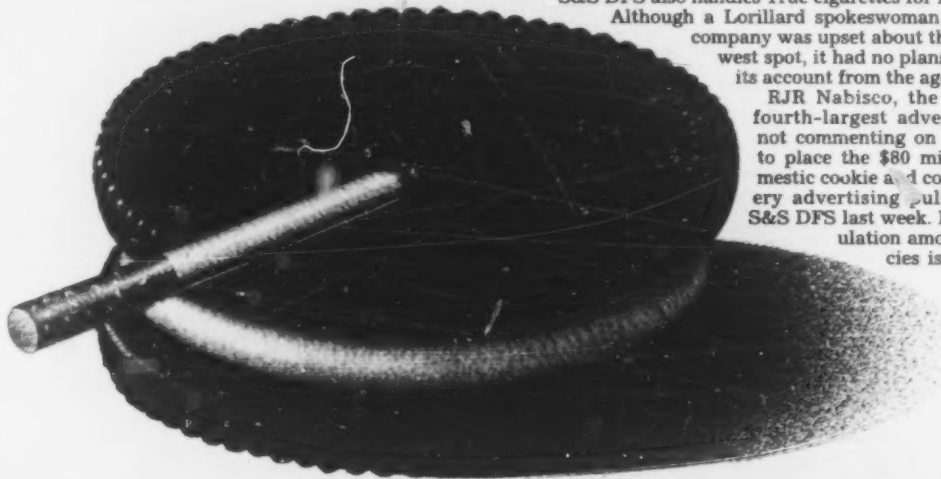


Illustration by Mark Frush

Lord's new agency holds talks with IBM

By GARY LEVIN,
JON LAFAYETTE
and ALAN RADDING

IBM Corp.'s urgent marketing needs are forcing the giant computer company to do business with Lord, Einstein, O'Neill & Partners, the breakaway agency formed by six executives who abruptly left IBM agency Lord, Geller, Federico, Einstein.

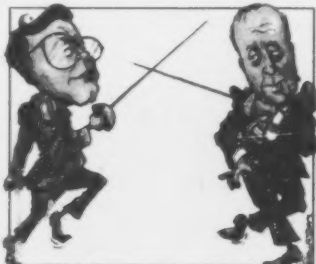
See related stories on P. 68, 69 and 82.

The new agency, partly financed by Young & Rubicam, last week turned down an invitation to pitch another computer account, probably so it could take on a piece of IBM's \$125 million U.S. advertising business.

Lord Einstein is up and running following a decision last week by the New York state Supreme Court that, to a great extent, allows it to go after just about any account, including those at Lord Geller.

The agency is actively pitching Saab-Scania of America, now reviewing its imported-car account at Ally & Gargano, New York.

Lord Einstein principals C. Ray Freeman, former exec VP-general manager of LGFE, and Kevin



O'Neill, LGFE's former senior VP-creative director, met with IBM executives April 8 at IBM headquarters in Armonk, N.Y.

Both men were key players on the IBM account at LGFE.

"We're assuming there may be some work," said a source at Lord Einstein, adding that it was un-

likely to be more than a project assignment.

Sources indicated that IBM asked Messrs. Freeman and O'Neill to finish projects left undone when they left LGFE on March 18, work that the remaining LGFE staffers were unable to handle.

IBM found the chaos left behind at LGFE had impaired that agency's ability to meet IBM's advertising needs on deadline, sources said.

And, as determined as IBM was to steer clear of the nasty courtroom battle between the two agencies, its executives decided the company's marketplace needs were overwhelming and that Messrs. Freeman and O'Neill were the only ones who could do the job.

It was unclear whether the project would lead to a permanent assignment for the new agency. Many observers believe the fracas has irritated conservative IBM to such a degree that when the dust settles, it may decide not to work (Continued on Page 82)

Last Minute News

Talks resume in actors' strike

NEW YORK—Late-week talks between the ad industry and striking talent unions continued at press time as the two sides tried to end the unions' three-week walkout. Union and industry negotiators were trying to hammer out a compromise on talent pay for spots shown on cable TV. Both sides were expected to stay at the bargaining table until they had an agreement on a new commercials contract or until they hit another impasse. Negotiations broke off March 7, and the strike began March 21. Negotiations got back under way April 6 at the request of a federal mediator.

McDonald's sings new tune

OAK BROOK, ILL.—McDonald's tonight breaks the first TV spots from its new creative pool during the Academy Awards broadcast. The commercials retain the "Good time, great taste" theme but use a new musical score for the first time in four years. Leo Burnett USA, Chicago, handles the fast-food chain's \$250 million-plus national account.

Infiniti search won't use consultant

CARSON, CALIF.—Nissan's Infiniti division won't use a consultant in the upcoming search for an agency for its estimated \$60 million account, says David F. Hubbard, newly named national advertising manager. (Continued on Page 8)

It's a slice of life:
See Joe Winski's
column on P. 48.



AAF chief to wrestle with 'Addy-gate'

By JENNIFER PENDLETON
and SCOTT HUME

American Advertising Federation President Howard Bell has been called in to straighten out the "Addy-gate" scandal in Milwaukee.

That move comes as the reputation of the AAF's Addy Awards competition has been further sullied by a second incident involving alleged improprieties.

As a result, more questions are being asked about whether ad agencies are becoming overzealous in pursuing creative awards at the expense of clients.

The Houston Advertising Federation last week rescinded two Addys given to Beaumont, Texas-based Vance-Mathews after the HAF learned the award-winning TV commercials never ran.

Vance-Mathews President-CEO Herschel Mathews acknowledged the agency had erred by entering the commercials, which won a

"Best of Show" and a gold, but claimed the mistake was unintentional.

The commercials were for Central Power & Light. The utility had discharged Vance-Mathews effective Oct. 15.

The agency claims it mistakenly assumed that Central Power carried out the media plan it had laid out. It had not.

"Our error was that we didn't go back to make sure the spots had aired as scheduled," Mr. Mathews said.

The questions raised about the Milwaukee Ad Club's Addy Awards competition have been more serious, more extensive and less easily resolved.

The problem began when other Milwaukee agencies questioned whether several dozen Addy-winning submissions had actually run or were paid for by the clients.

Among the ads questioned was a radio spot for the Laure Haile Dance Studio in Burbank, Calif., a commercial that took "Best of Show"

honors in Milwaukee.

Hoffman York & Compton admitted it had sought out a prospective client for advertising it wished to produce but claimed the radio spot (part of a campaign for the studio that also included TV and print) did run (AA, March 14).

That has elicited cries of "foul" from several other Milwaukee agencies, angered that advertising for actual clients was competing with—and in some cases losing to—such "ersatz" advertising.

Two agency executives—Paul Counsell, chairman of Cramer-Krasselt Co., and Warren Eulgen, president of Kocs, Wesson & Associates—resigned as board members of the Milwaukee Ad Club after it failed to take any action.

Unable to decide whether Hoffman York & Compton and Frankenberg, Laughlin & Constable (the other Milwaukee agency with winners under scrutiny) should be allowed to keep

their awards, the adclub last week appealed to the AAF's Council of Governors for help.

Mr. Bell, or perhaps another senior AAF official, is expected to review the commercials and ads that have been questioned, as well as the eligibility requirements, and issue an advisory opinion on how best to settle the controversy.

"We felt this was the only way to go, considering the circumstances," said Corinne Gaido, Milwaukee Ad Club president. "We simply do not have the impartial structure to conduct a fair and conclusive evaluation."

The controversy has continued. An unrepentant Hoffman York went so far as to place an ad in ADVERTISING AGE, offering cassettes of the disputed spot for \$5.99 (AA, March 28).

Organizers of the Clio Awards competition last week said they had discovered that Hoffman York had submitted the Laure Haile advertising to them. They have decided to return the ads and the entry fees to Hoffman York. #

Highlights

NEWS

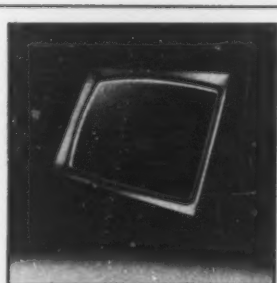
- 4 AmEx card is thirtysomething**
It's time to toast the old and get on with the new at American Express.
- 6 Heileman taps new style**
G. Heileman Brewing Co. goes future with new campaigns for Old Style and Colt 45.
- 12 Merck may enter ad fray**
Merck & Co. may join the growing ranks of prescription drug companies broadcasting health-information commercials to consumers.
- 24 Heinz in for a dogfight**
H.J. Heinz Co. has catapulted into one of the top three positions in the canned dog-food market.
- 28 Celebs await AA honors**
Three celebrities have been named finalists for ADVERTISING AGE's Star Presenter Award for 1987.
- 32 What goes up, comes down**
Hemlines may be dropping, but don't count short skirts as down and out yet.
- 65 Do you take this ma... gazine**
Here comes the bride, and this season she's all dressed in green, as in money.
- 72 Nestle unwraps corporate ad**
Nestle Enterprises, known for its reticence in financial matters, breaks its silence April 25.
- 77 New kernel in the market**
A pact between two marketers will put more pop in the booming microwave popcorn industry.
- 78 Croissant saga adds new twist**
Vie de France Corp. is suing a former sales manager for allegedly stealing secret recipes and other confidential marketing information.

INTERNATIONAL

- 52 French pols rack up ads**
Like the U.S., the French are letting TV images help determine their political leaders. But it's not being done via paid political spots, but on talk shows and evening news broadcasts.



AD REVIEW: Spiegel, celebrities and nightgowns. P. 84.



SPECIAL REPORT: Cable starts after Page 44.

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Ford switch in Mexico

JWT may be out

By STEPHEN DOWNER

MEXICO CITY—Just how strong the ties from Detroit bind local Ford Motor Co. operations will become clear if J. Walter Thompson Co. loses the Ford de Mexico account this month.

Sources say either Panamericana/Ogilvy & Mather or Young & Rubicam will get the \$5 million-to-\$7 million auto account.

John Ogden, president and general director of Ford here, got orders from Detroit to drop JWT, a former senior Ford executive said.

Mr. Ogden, however, told the parent company he didn't want to comply, indicating that he's happy with JWT efforts on Ford's behalf in Mexico, the source said.

A leading Ford marketing official in Mexico said "there is a chance that we may change [agencies]. We may continue with [JWT], but we may not."

Martin Sorrell, WPP Group's chief executive, came to Mexico last week to help ensure that WPP-owned JWT holds onto the important Ford account, sources say.

When asked he was in Mexico, Mr. Sorrell only said, "I'm basically down on client business."

The agency's creative director for

the Ford account is Marco Antonio Bravo, a young, bilingual Mexican whose work is highly regarded.

Ford de Mexico Ad Manager Marcelo Leite, a Brazilian, has generously praised JWT's campaign for the Ford Taurus, which will be launched in Mexico this spring.

However, in three recent reviews for Ford Latin American business, JWT has only kept the Argentine account. In Venezuela, Corpas/Ogilvy & Mather won. Salles/Inter-Americana gained the Brazilian account.

Ford de Mexico has troubles outside the ad business. The car marketer moved down from No. 4 to No. 5 of five major automakers here last year. Analysts blame an industrial dispute that paralyzed production at Ford's domestic plant just outside Mexico City for 110 days.

The troubles cost Ford 15,000 vehicles, Ford de Mexico's Mr. Ogden said, and most dealers were left without any vehicles to sell for several weeks.

Ford's wholesale sales in the first two months of 1988 were 1.4% below the same period last year, according to the Mexican Association of Automobile Dealers. #

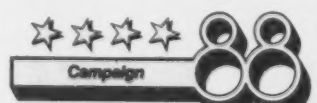
Julia Michaels in Sao Paulo contributed to this report.

It's not too late for Cuomo blitz

By STEVEN W. COLFORD

What if Mario Cuomo does run for president?

Even though the New York governor downplays the likelihood of his



entering the presidential race, there is no dearth of ideas as to how the 55-year-old son of Italian immigrants might portray himself in a media campaign.

A Cuomo candidacy would require a national media campaign, probably a monthlong blitz, said Sergio Bendixen, a Washington political consultant with Bendixen &

Law who helped shape the failed campaign of former Arizona Gov. Bruce Babbitt.

At this point, he said, the late date would force the New York governor to appeal directly to voters via public opinion polls.

"He'd have to look at a national advertising campaign for three to four weeks to achieve what he'd need—to use the polls to convince delegates" to nominate him, Mr. Bendixen said.

Under Mr. Bendixen's media supervision, Gov. Babbitt broke presidential primary (Continued on Page 81)



M. Cuomo



April 11, 1988

Advertising Age

Crain's International Newspaper of Marketing

Special Report



Cable TV

New muscle in the marketplace

USA Network's purchase of the "Murder, She Wrote" series, the highly rated CBS-TV vehicle starring Angela Lansbury, for an estimated \$350,000 per episode sends a clear message to broadcasters and viewers that cable will spend what it needs to capture its niche in the market.



©Gene Trindl/CBS

Cable halfway home, picking up speed

Service born of necessity cracks the magical 50% penetration mark and finally taps its potential with double-digit advertising and viewing growth

By Wayne Walley

Buy more cable." That was the simple recommendation of a recent Saatchi & Saatchi DFS Compton media bulletin sent to the New York-based agency's clients. But these days others than just Saatchi & Saatchi clients seem to be heeding the advice. Nearly every ad-supported

basic cable service, including Arts & Entertainment Cable Network, BET (Black Entertainment Television), CBN Cable Network, CNN, Discovery Channel, ESPN, Financial News Network, CNN Headline News, Lifetime Cabletelevision Network, MTV:Music Television, Nashville Network, Nickelodeon, SuperStation TBS, USA Network, VH-1: Video Hits One and Weather Chan-

nel, is coming off record ad sales in the fourth quarter of 1987 and expects the momentum to carry through 1988.

Lifetime President-CEO Thomas Burchill says his network will likely show a 40% increase in ad revenue this year while Paul Kagan Associates estimates ad sales for all cable networks will increase by an average of 20% to total a record (Continued on Page S-2)

Cover photo ©Steven Hunt/
The Image Bank

Cable halfway home

Word goes out to advertisers, 'Buy more cable,' as '24 hours a day of underwater Australian wrist wrestling' is replaced by off-network series, NFL games and special original fare

(Continued from Page S-1)

\$1.06 billion in ad revenue in 1988.

"Six years ago we asked agencies and advertisers, 'When will the floodgates

open?' 'When will you buy cable?' " says Douglas Greenlaw, senior VP-ad sales at MTV Networks, New York. "They said we needed to reach 30% or 35% penetration. We reached it

and they said 'get to 40%.' But now that we've reached 50%, it's starting to happen.

"I met with people at Leo Burnett and DDB Needham Worldwide in Chicago, and we were saying someday we'll look back and point to the end of 1987. We're becoming a factor in the marketplace. Erosion of the broadcast network audience is happening. It's not just a blip. And advertisers are looking to cable to fill the gap."

Cable penetration passed the watershed 50% threshold in

November, and as of Feb. 1, according to A.C. Nielsen Co., cable reached 51.1% penetration—or 45.5 U.S. million homes.

"Cable is now delivering on its promise," says David Verklín, VP-media director, Hal Riney & Partners, San Francisco. "ESPN is no longer tractor pulls. CNN fills a bona fide niche. I've put clients on USA for the U.S. Open in tennis. And it's a lot easier to sell clients on cable today because a lot of them have it at home."

A number of forces seem to have emerged at the same time to create cable's new-found muscle. The Big Three network inventory had been reduced by the elections, the Olympics and make-goods to advertisers resulting from audience shortfalls in people-meter measurement of actual viewers vs. guarantees by networks. Besides crossing the 50% penetration level, ratings in every day-part on cable networks have shown significant improvements over the previous year.

Basic cable viewing in the fourth quarter of 1987 versus 1986, for example, increased by 14% for a 24-hour period while total television viewing was down 3%.

Many people turned to CNN to watch its extensive coverage of Col. Oliver North and the

CBS thrown for loss

ESPN's offer to double his salary to \$400,000 made Joe Theismann the first network football announcer to leave for cable.

to find local candidates ready buyers for time on local systems.

"The question for clients is no longer whether or not to use cable; rather the issue is how much more cable is appropriate," Saatchi & Saatchi's media bulletin concluded.

Beefing up product

But, according to USA Network President-CEO Kay Koplovitz, agencies and advertisers wouldn't be as interested if cable hadn't improved its product. "The programming is light years from what it was," she says.

Cable penetration

Top 50 designated market areas ranked by TV households

Rank and Designated Market Area	% Penetration July '87	Cable TV HH's July '87
1. New York	41.7	2,883,630
2. Los Angeles	40.2	1,814,760
3. Chicago	34.6	1,059,450
4. Philadelphia	49.1	1,253,330
5. San Francisco-Oakland	54.1	1,140,330
6. Boston, Manchester, N.H.	57.1	1,146,420
7. Detroit	41.2	686,830
8. Dallas-Ft. Worth	38.7	618,660
9. Washington, D.C.	36.3	575,620
10. Cleveland, Akron	47.5	687,200
11. Houston	43.0	619,780
12. Atlanta	44.7	546,840
13. Pittsburgh	63.8	765,510
14. Tampa-St. Petersburg, Fla.	53.0	636,300
15. Seattle-Tacoma	55.7	664,690
16. Miami-Ft. Lauderdale	51.3	611,480
17. Minneapolis-St. Paul	37.6	442,590
18. St. Louis	38.7	407,680
19. Denver	47.1	473,460
20. Sacramento-Stockton, Calif.	39.8	362,150
21. Phoenix, Flagstaff, Ariz.	38.2	344,970
22. Baltimore	35.0	310,620
23. Indianapolis, Lafayette	52.8	459,760
24. Hartford, New Haven, Conn.	72.2	621,160
25. San Diego	69.0	542,770
26. Portland, Ore.	49.4	392,600
27. Orlando-Daytona Beach-Melbourne, Fla.	58.6	439,060
28. Kansas City	49.0	347,970
29. Cincinnati	48.4	342,300
30. Milwaukee	43.3	303,380
31. Nashville, Tenn.	41.0	274,400
32. Charlotte, N.C.	48.7	319,340
33. New Orleans	55.4	355,690
34. Greenville-Spartanburg-Asheville, S.C.-N.C.	40.8	255,240
35. Columbus, Ohio	50.7	308,320
36. Raleigh-Durham, N.C.	46.1	277,250
37. Oklahoma City	51.7	315,110
38. Grand Rapids-Kalamazoo-Battle Creek, Mich.	52.5	307,610
39. Buffalo, N.Y.	59.9	365,170
40. Birmingham, Anniston, Ala.	49.1	291,730
41. Memphis, Tenn.	47.4	270,700
42. Salt Lake City	37.0	212,060
43. San Antonio, Tex.	63.3	336,660
44. Providence-New Bedford, R.I.	57.2	298,550
45. Norfolk-Portsmouth-Newport News, Va.	57.8	302,170
46. Harrisburg-Lancaster-Lebanon-York, Pa.	60.9	321,070
47. Wilkes Barre-Scranton, Pa.	68.9	356,270
48. Louisville, Ky.	54.6	275,500
49. Dayton, Ohio	56.5	280,140
50. Charleston-Huntington, W. Va.	62.7	311,110

Source: Nielsen Station Index

The growth of cable

	Subscribers (000)	Household penetration (%)	Pay subscribers (000)
1970	4,498	7.5	N/A
1975	9,197	13.2	N/A
1980	17,671	22.6	7,599
1981	23,219	28.3	11,842
1982	29,341	35.0	17,311
1983	33,794	40.5	21,151
1984	37,291	43.7	22,372
1985	39,873	46.2	24,165
1986	42,237	48.1	23,709
1987	44,971	50.5	27,600

Source: Cabletelevision Advertising Bureau

Iran-contra hearings. Others were impressed by ESPN's production of the America's Cup race off Perth, Australia. FNN was lauded for its calm and thorough coverage of the October stock market plunge. And ESPN's National Football League Games shattered cable ratings records.

Even presidential candidates are buying time on cable networks, a significant sign the industry has come of age as an ad medium. In Iowa, Rev. Jesse Jackson devoted nearly half of his TV budget to cable. And Massachusetts Gov. Michael Dukakis even created an ad hoc network of cable systems to conduct a telethon.

Many observers believe the national cable networks could command as much as 10% of political ad spending this year while cable operators are likely

Indeed. Gone are the days when USA depended on such chestnuts as ancient episodes of "Dragnet" to attract viewers and ESPN was described as "24 hours a day of underwater Australian wrist wrestling."

Today, USA, Lifetime and CBN Cable are able to pay up to \$350,000 per episode for top off-network series including "Murder, She Wrote," "Miami Vice," "Cagney & Lacey," "Remington Steele," "Hardcastle & McCormick," "Father Murphy" and "Falcon Crest" before the shows go into broadcast syndication.

"You purchase high-profile, off-network shows as a promotional vehicle," says Tim Kaskick, director of programming at CBN Cable Network, Virginia Beach, Va. "When you factor in the promotional po-

(Continued on Page S-6)

Cable halfway home

(Continued from Page S-2)

tential from fresh off-network shows, it's worth it. It's better than buying 7,000 newspapers and a lot easier to coordinate. We have 8,000 cable operator affiliates. And problems are compounded in each market. NBC is on only one channel; CBN could be on 12 different channels in the same city."

CBN, Lifetime and USA, along with The Discovery Channel, ESPN, FNN, MTV, TNN, Nickelodeon and Super-Station TBS, also have increased production of original made-for-cable fare to add to their schedules. Among the entries are "Attitudes," a talk

show on Lifetime; "The Campbells," a dramatic series on CBN; and "Airwolf," an action-adventure series on USA.

The cable networks, most of which are in the black today and can afford to experiment with programming, say it is simply a maturation of the industry.

A modest start

Essentially cable has come a long way from its modest beginnings as a tool for better reception. Originally known as "community antenna television" or CATV, the industry numbered just 70 operating systems serving 14,000 sub-

scribers in 1952. By 1960, 640 systems served 650,000 subscribers and by 1970, 2,490 systems had 4.5 million subscribers.

But that was before people like Ted Turner recognized the potential benefits of cable TV—increased channel capacity, more extensive programming and the possibility of pay TV.

While revenues for the Big Three networks grew 17% a year and captured 90% of the country's television audience from 1975 to 1980, superstations, cable networks and pay service channels began their development. Between 1980 and 1984, revenues of cable and pay-TV companies catapulted by 278%.

The media quickly heralded

"We're becoming a factor. Erosion of the broadcast network audience is happening. And advertisers are looking to cable to fill the gap."

Douglas Greenlaw
MTV Networks

cable as "the medium of the future." But by the end of 1984, TV's "second coming" was laced with problems relating to franchise wars, stumbling networks, high capital costs and declining profits. Many wrote off the industry, trumpeting in its place another TV technological wonder, the videocassette recorder.

"But no one told the consumer cable was dead," says Robert Alter, president of the Cabletelevision Advertising Bureau, New York.

"The early expectations of cable were unrealistic. There was a backlash. Ad agencies were mad we didn't live up to it, but now we're on realistic footing."

"Things were flat for a while," agrees Roger Werner, senior VP-ad sales, ESPN, Bristol, Conn. "In 1985 and 1986, the industry went through a consolidation period while it grew in subscribers and advertisers and programming. But then the network erosion had temporarily slowed down and people thought it was the end of cable."

Enter the skipper

That's when Dennis Conner sailed to the rescue. ESPN's extensive live coverage of the America's Cup races from Perth, Australia, earned as high as a 20 share despite most of the racing footage reaching the East Coast after midnight.

"What it really did was prove we could do a complex production and provide intelligent commentary. We told the story," says ESPN's president-CEO, J. William Grimes. "Because of it the NFL had the confidence we could do the job for them, too."

Many in the industry credit the National Football League with bringing cable TV to a new level. "The NFL legitimized local advertising on cable," says John Malone, chairman-CEO of Tele-Communications Inc., Denver, by far the country's largest multiple system operator (see chart on Page S-2). "That just whets the appetite of the industry. I'm not a programmer, but I know programming will drive the economic machine."

"A lot of things the American public wants to see can't be paid for by advertising. That will increasingly be true in the future," he says. "We'll get into a hybrid model where subscription fees and advertising are the rule of thumb for paying for high-cost programming alternatives. We're just seeing the tip of that iceberg today."

Yet the Big Three networks are already feeling some of the effects of viewer fragmentation caused by the proliferation of cable TV and the expansion of independent broadcast stations. For instance, NBC's total audience as the top-rated network in 1986 was 5% less than 1980, when NBC ranked last.

With increased revenues, greater penetration and wider acceptance among advertisers, those in the industry believe cable will grow stronger, create a new cable window for off-net-

(Continued on Page S-10)



OUR NEW SEASON WILL BE DYNAMITE.

TNN has added exciting new shows like the TNN Viewers' Choice Awards, Rock 'n' Roll Palace, American Magazine, Holiday Gourmet and Side By Side to all your old favorites.

TNN: Our new season is about to explode.



© GROUP W SATELLITE COMMUNICATIONS 1988

Discover our Difference

Cable halfway home

(Continued from Page S-6)

work series, win rights to major events and begin producing its own top quality programming.

That's the idea behind Ted Turner's new Turner Network Television, an ad-supported basic channel he hopes to launch in October. TNT, he says, will be cable's vehicle for exclusive programming including series, miniseries, TV movies, special events, sports

and jewels from his MGM film library, including "Gone With The Wind" (see story on Page S-22).

Other networks already have expanded original production and have started to spawn a new cottage industry as a program supplier to broadcast stations. Nickelodeon's "Double Dare," for example, has become a hit in broadcast syndication and another version of the chil-

dren's game show called "Family Double Dare" has joined Fox Broadcasting Co.'s Saturday night prime-time lineup.

The Disney Channel's original episodes of "Winnie the Pooh" may eventually find a spot on ABC. Showtime's "It's Garry Shandling's Show" started airing on Fox's fledgling fourth network in March. And NBC plans to develop a family situation comedy for The Disney Channel that may eventually join the NBC weekend or daytime lineup.

NBC Entertainment President Brandon Tartikoff believes the less competitive and less risky cable arena could allow new writing and producing talent to develop without the pressure of ratings.

Sports salvation

But while the cable networks continue efforts to produce original dramas, situation comedies and special events, the most coveted programming on cable channels is sports. And for good reason.

The three-hour NBA All-Star Saturday on SuperStation TBS in February reached 3.3 million homes, the channel's second largest audience ever, behind the National Geographic So-

Sharp Minds Recognize Sharp Opportunities



For the people at The Sharp Electronics Corporation, advertising on MSG Network delivers more than just men 18-49. It also means enjoying the rewards of MSG's unique merchandising opportunities.

From Knicks programs to Rangers dashboards, from team parties to scorer's table banners to pocket schedules to team and programming sponsorships, advertisers like Sharp Electronics Corp. can be part of team/arena tie-ins that only a network called Madison Square Garden can offer.

Just as importantly, as one of the country's largest regional networks—reaching 2.2 million households in the New York tri-state area—MSG can help you score big with the prime male audience you want.

When it comes to sports, no one brings home the feeling of being at the game better than MSG Network. Whether it's Knicks basketball, Rangers hockey, boxing, tennis, college and high school sports or exclusive weekly series and Garden Premiere Events, our all-star sports line-up means a quality male audience all year round.

Join advertisers like Sharp Electronics Corp. who've discovered the benefits that come from bringing the Garden home. When it comes to advertising on MSG Network—we bring your product home, and in more ways than one. Call Douglas Moss, V.P. Ad Sales, at (212) 563-8450, and learn how you can enjoy MSG Network's unique merchandising opportunities.

We Bring The Garden Home!



An event halfway around the world, the America's Cup covered by ESPN, excited the U.S. about cable.

ciety "Explore" special, "Secrets of the Titanic," which ran last fall.

ESPN's eight regular-season National Football League games averaged a combined cable/broadcast rating of 12.4, well above the 9.5 the network guaranteed to advertisers. ESPN's four preseason games also topped their guarantee of 6.0 with an average 8.5 cable rating.

Pay-per-view and pay cable also have become the premiere venues for boxing, turning the once-moribund sport into a profitable venture even though they pay double and triple what a broadcast network is willing to pay.

Media Sports Business, a Paul Kagan Associates publication, estimates ad sales on cable sports programming both national and regional could reach more than \$248 million in 1988, accounting for some 17% of cable's total national and local ad revenues.

ESPN's ad sales were up 20% in 1987 and the network hopes the expansion of Arena Football, another America's Cup regatta and the second year of its three-year \$153 million deal with the NFL will yield similar results. Big on ESPN's shopping list is Major League Baseball and a hoped-for co-production of the 1992 Olympics. Competition, however, will be fierce.

Because of what has become prohibitive cost for Olympic rights, all three networks and possibly Fox Broadcasting Co. could be in search of a cable partner, with both USA Network and Lifetime likely candidates. USA is also "very interested" in Major League baseball.

Dual revenue

If a cable network were to land baseball or part of the Olympics, the service likely would turn to cable operators to help pay for the rights. It is this dual revenue stream from

(Continued on Page S-12)

By Wayne Walley

The Discovery Channel has become cable TV's latest success story.

Launched on June 17, 1985, with just 300,000 subscribers, the network now reaches 29.4 million households with its mix of nature, science and technology, history, human adventure and world exploration documentaries.

"National Geographic couldn't get arrested trying to sell this stuff," says Bart McHugh, senior VP-director of national radio/TV programming, DDB Needham Worldwide, New York. "But without sports, without weather and without news, The Discovery

Marketers take notice of viewers' Discovery

Channel is making a go of it."

Discovery programs 18 hours each day, scouring the globe for material. Essentially the network has become a godsend for documentary producers by creating a new American outlet for their work besides the limited time devoted to documentaries on the Public Broadcasting Service and "National Geographic" specials.

"We're a breath of fresh air

■ *Channel moves curiosity, nature, science into an 18-hour-a-day lab for fresh programming*

for the producers," says Ruth Otte, president-chief operating officer of The Discovery Channel, based in Landover, Md.

"We want to be the home of premiere programs in this genre. But we also need advertisers. That's the economics of it. We need ad revenues and affiliate revenues... Getting the programs is what it is ultimately about and we're two years ahead of schedule."

Originally supported by subscriber fees only, Discovery opened a New York sales office last April and now lists such

heavyweight advertisers as AT&T, Burger King, Colgate-Palmolive, Ford Motor Co., General Motors, Gillette, MasterCard, Procter & Gamble, Timex, Wang and Whirlpool, among others. "We always thought we'd bring a new viewer to the advertiser," Ms. Otte says. "Half our audience, according to a study we did in February, is light TV viewers,



The first Discover Channel production, made with BBC's Natural History unit, is "Reef Watch: Live From The Red Sea."

THE MEN YOU WANT ARE WATCHING DALLAS, CHEERS AND DIFFERENT STROKES.



The upscale men you're after stand way apart from the norm. And so do their viewing habits. To this select group, "Night Court" means a college basketball game in prime time. And "L.A. Law" is the Raiders' defensive unit. No wonder these men who earn more, spend more and do more are turning off the broadcast networks and turning to ESPN®.

They know ESPN is where they can find CFA College Football, Top Rank Boxing, NHL Hockey, College Basketball and more. This season we've even got TV's ultimate weekly drama series: NFL Sunday Night Football.

And smart advertisers know ESPN is where they can find men who buy

22% more life insurance, 31% more telecommunications equipment and who take 33% more business trips than the national norm.* Which proves just how above average our average viewer is.

Without ESPN, you're underdelivering this very attractive audience. But you can reach them effectively—for a much lower CPM than the networks—by placing a mere 10% of your sports budget with us. You'll see results so dramatic they could change the way you spend your ad dollars from now on. After all, if you're still trying to reach upscale men through the likes of "Knots Landing," you just might be missing the boat.

ESPN
THE TOTAL SPORTS NETWORK

people an advertiser isn't likely to reach with traditional fare.

"The documentaries are also squeaky-clean programming. We can go after corporate affairs money or budgets for classics in much the same way MTV likes to tap into a sponsor's promotional budget instead of advertising."

Discovery also offers a more clutter-free environment for
(Continued on Page S-16)

Halfway

(Continued from Page S-10)

ad sales and subscribers' fees that just might give cable the advantage over broadcasters.

But because so many cable companies have merged and invested in each other, the industry has raised the ire of broadcasters and set off new hearings in Washington.

Many, including Jack Valenti, president of the Motion Picture Association of America, question whether the industry has grown monopolistic and too large and powerful to warrant a compulsory license. They are urging new additional government regulations, but Ted Turner believes the industry will fare well.

"You had to expect a counter-attack," Mr. Turner says. "We'll have to work hard and defend ourselves. We've moved from the position over the past 10 years from way on the outside into the predominant communications media as far as 50% of the people are concerned."

"We're doing our job making programs and we have a service people want and enjoy. But we're stepping on the toes of our competitors, and we should be concerned."

INTERVIEW

Koplovitz sets sights on banner year

Changes at networks widen the opening for USA alternatives

Building on the premise in 1980 that a broad-based entertainment network would develop core viewership attractive to many advertisers, Kay Koplovitz now presides over a USA Network that has become a model for the cable industry. In establishing USA as a pacesetter, the network's

president-ceo has become the most visible woman manager in the cable industry.

Born in Milwaukee, she has a bachelor's degree from the University of Wisconsin and a master's degree in communications from Michigan State University. Before joining USA Network, she was VP and executive director of UA-Columbia

Satellite Services.

Ms. Koplovitz currently sits on the board of the New York City Partnership, Junior Achievement, Ad Council, International Council and the National Academy of Cable Programmers. She recently talked with ADVERTISING AGE about cable TV's present and future.

cable is at the point where it is no longer severely impacted by what happens in the network marketplace?

A: In a sense, broadcast and cable are all TV and they are impacted by the marketplace. But advertisers in broader

Q: Some call the fourth quarter of 1987 the turning point for cable TV. Ad revenues soared and now many paint a rosy future for the industry. Was the fourth quarter also a turning point for USA Network?

A: It's hard to pinpoint one moment as a "turning point" for the industry. I look to 1986 and think there were significant changes then in terms of the amount of advertising clients who looked for cable. Clearly there were changes at the three networks and a decrease in audience. But then, we've seen more changes with People Meters and there was a stronger impact in the second half of 1987. The year 1987, in general, was much stronger for cable in terms of ad sales. Then it picked up tremendous steam in the fourth quarter and the momentum is carrying over into 1988. We've had exceedingly strong sales in the first quarter and it looks good. This year, 1988, is likely to be cable's banner year.

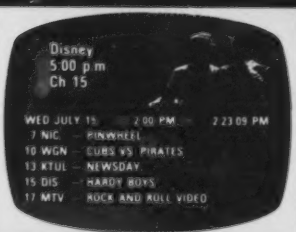
Q: The networks are experiencing a glut of ad inventory in the second quarter for various reasons. Some people are saying now is the time to find bargains on the networks, particularly in daytime, because so few are buying time. But it sounds like USA and cable TV aren't experiencing the same thing. Does this mean



"It's hard to pinpoint one moment as a 'turning point' . . . I look to 1986 and think there were significant changes then in terms of the amount of advertising clients who looked for cable."

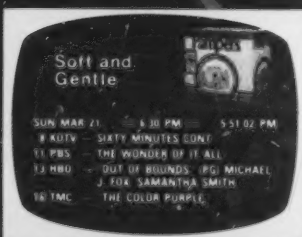
Kay Koplovitz

Welcome an exciting new member to the media family!



Incredible High-Impact TV Program Promotion for networks & syndicators!

Devastating TV Frequency Clout for Product Advertisers!



Viewers' Discovery

As the network hits 30 million households, it's achieved its first 'break even' month and is now beginning to generate its own programs in addition to supporting documentary producers

(Continued from Page S-12)
advertisers because it limits national ad time to 7½ minutes per hour, less than other cable and broadcast networks.

"The commercial breaks also float," Ms. Otte says. "We try to

break once in the first half-hour, once at the half-hour and once in the second half-hour, but it's not always at the same exact time. We break at times when it fits in with the documentary. And if a show doesn't lend itself to breaks, then we won't break. So far the policy has worked okay."

A Discovery spokesman says the channel has recorded its first "break even" month and plans to reinvest earnings in its own productions.

The first will be "Reef Watch: Live From The Red Sea," a co-venture with the BBC's Natural History unit. Scheduled to air at different times on May 6, 7 and 8, the show will give viewers a first-hand look at the Red Sea's underwater flora and fauna. The pictures will be beamed directly from the sea floor to a satellite and relayed live to The Discovery Channel.

"Cable, in general, has an image of being all reruns," Ms. Otte says. "But when you are in a niche, you innovate. We have a responsibility. We can't take the audience lightly. We need to get their attention, so we plan to get heavily into co-productions in the future. We now have a development department and we plan to find partners from around the world."

Call JOE RHEES at 1-800-331-4806 for the full story.

PREVUE
Guide

"The Kids a Natural"
A Satellite Service of United Video, Inc.

WANTED:
National Advertisers

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Serious inquiries only.
Contact: Steve Goldmintz 516/665-8800
Premium Channels Publishing Company Inc.

numbers are realizing that a cable network with a national measurable audience can no longer be swept under the carpet. You can't say the network audience erosion is an aberration anymore. Advertisers are finding a fragmented marketplace and they can't make it up just by buying syndication. The networks lose audience share and cable restores it. I expect cable will become part of more regular buys by advertisers. We are now with a number of companies. But cable ad revenues are still not where the marketplace delivery is. We have room to grow. We are not getting full value.

Q: Cable's growth curve slowed in the mid-1980s and people were writing off the medium because it hadn't lived up to its potential. Subscriber levels, revenues and ratings were not near the early projections. Now it seems cable has quietly and suddenly achieved what it said it would do. What happened to cause this?

A: The programming improved. Major city cable systems were built. The distribution system is now there. But the programming is light years from what it was. It's hard to predict how much better it will get in the next five or ten years, but it's growing fast.

Q: Did USA Network change its strategies?

A: No. It's been clear to us. And for the last couple of years we've been doing exactly what we've been saying we will do. We are a broad-based entertainment network. Our strategy in prime time and access is to combine off-network product in an exclusive window with our original productions.

Q: In your opinion, what does cable offer a new advertiser and once you have them, can you keep them as advertisers?

A: We can keep them. That's been the track record of the network. Cable offers an advertiser an exceedingly good quality audience the advertiser is trying to reach. Again, this is a generalization, but cable usually delivers more viewers per viewing household than broadcast in whatever target audience an advertiser wants.

Q: Do you foresee increased competition between cable networks for programming such as sports and off-network series? There's also the advent of Turner Network Television. Will this help or hurt cable?

A: There's already a lot of competition for programming. Will one or two more channels make a difference? Maybe not. There is a definite difference in the type of show a USA Network or CBN Network or Lifetime Cabletelevision Network will go after. Sporting events is where there might be increased competition. We're very interested in Major League Baseball and the National Basketball Association.

Q: When you talk about sports, ESPN's NFL games come to mind. ESPN passed on the cost of the programming to cable operators with

"Sporting events is where there might be increased competition. We're very interested in baseball and the National Basketball Association."

a subscriber fee surcharge. Might USA do the same in the future?

A: Cable operators are important for sharing program costs. We all benefit, but they benefit by it the most. These days each subscriber is worth about \$2,000 to a cable operator.

Q: They also get local avails to sell in the high-profile programming, which brings new local advertisers to cable and increases the operator's revenues.

A: Yes. Local advertising is becoming an important source of revenue for cable operators. That's one thing that will continue to grow and become more and more important throughout the 1990s.

Cable TV's top 10 advertisers for 1987

	Ad expenditures (in millions)	% change from 1986
1. Procter & Gamble	\$23.71	-20.3%
2. Anheuser-Busch	22.94	17.7
3. Philip Morris	20.58	-7.2
4. General Mills	18.58	19.6
5. Time Inc.	16.41	2.3
6. Mars Inc.	14.87	-15.8
7. RJR Nabisco	14.68	40.5
8. Coca-Cola Co.	9.79	59.8
9. Thompson Medical Co.	8.37	360.2
10. General Motors	7.96	10.6

Source: Arbitron Broadcast Advertisers Reports

"The Discovery Channel Made Me A Star"

It's not everyday that somebody makes you a star.

☐ A star in nearly 30 million homes nationwide;

☐ A star before a discriminating audience of hard-to-reach viewers;

☐ A star in popular programs that enlighten as they entertain.

I owe it all to The Discovery Channel, cable's bright new star.

Ask how Discovery can add sparkle to your media plan.

Let The Discovery Channel make you a star, too.

Call Kathy Clinton at (212) 751-2120, 18 East 48th Street, 21st Floor, New York, NY 10017.

Source: Nielsen Coverage Report, 2/88
*The Discovery Channel 1988.

Discovery

☐ NATURE ☐ SCIENCE AND TECHNOLOGY ☐ HISTORY ☐ WORLD EXPLORATION ☐ ADVENTURE

Users opening up to spruced-up guides

By Eileen Norris

It wasn't so long ago that cable guides' endless sea of listings would test the bleary vision of even a world-class couch potato.

Today, the guides to cable programming are better looking, beginning with splashy cover stories, opening to neatly presented program highlights, and finishing with easier-to-read listings. The guides are finally starting to get respect from advertisers, cable systems and even subscribers—some of whom appear to be willing to spend up to \$3 a month for a guide.

Some guides even place a new emphasis on network programming information. "The networks won't go away," says one cable guide publisher matter of factly. "We can co-exist." The goal is for the cable guide to become the "one-stop watching guide" of the future.

"The potential for the national advertiser is enormous," says Lou Pirnik Jr., national advertising director for TV Host Inc., Harrisburg, Pa., which publishes cable guides distributed in Pennsylvania, New Jersey and Oregon.

"Network TV viewing is down, non-commercial TV watching is up and these viewers have to pick up a guide to find out what to watch," he says. "It's a great place for an advertiser's message." It's especially true now that cable has reached that all-important 50% household penetration benchmark.

From a circulation perspective, the deregulation of the cable industry has given the cable guide market a boost, says Bob Dallas, vp-marketing for TVSM Inc.'s *The Cable Guide*, Horsham, Pa.

"The cable operators can now charge more for their services, so they have more money to pay for the guides," he says. "Plus it allows the operators to provide better service to subscribers."

Cable operators seem more receptive to the guides, too, but their enthusiasm could have something to do with the fact that some subscribers are beginning to pay for the listings, which translates into a new revenue source for the operator as well as a handy billboard for a cable system's promotions.

"The guide adds value to the cable package," says Larry Higby, senior vp of marketing, programming and sales at Ir-

Eileen Norris is a Chicago-based freelancer and a frequent contributor to *Special Report*.

Cover stories, easier-to-read listings win over advertisers, systems and subscribers

vine, Calif.-based Times Mirror Cable Television, which has 50 cable systems and 915,000 subscribers in the U.S. The cable company in January started offering *The Cable Guide* at no cost to its premium service subscribers. It sells the guide, which it buys from TVSM, for \$1 an issue to basic subscribers who request it.

Still, many advertisers apparently remain lukewarm to the idea of cable guides. "It's easier to get an appointment on Madison Avenue," says Mr. Pirnik. "We don't get as many doors slammed in our face any-

"We've always been a service guide and we'll continue to be that, but we plan to be read as an entertainment vehicle in the future."

Neil Heller



"It's easier to get an appointment on Madison Avenue. We don't get as many doors slammed in our face anymore, but it's still a hard sell."

Lou Pirnik Jr.

more, but it's still a hard sell."

When Time Inc. lost \$47 million after the quick death of its *TV-Cable Week* in September, 1983, uncertainty swept the fledgling guide industry. As other cable guides succumbed, no one was sure what was going to become of the infant category.

Now that uneasiness seems to have subsided a bit.

"Our research shows that subscribers want one source for viewing information and editorial entertainment," says Alan Vandenburg, president of The CPI Guide Network in Boston, which publishes about 200 different versions of its guide, going to 5.5 million subscribers monthly under the names *Cable Choice*, *Cable Time* and *Choice*.

And he doesn't believe the grand-daddy of them all, *TV Guide* can give cable viewers what they need. "The weekly *TV Guide* is in a league of its own, but they can't give the detailed cable information that

we can," he says. "Plus, cable programming is viewed on a monthly basis, so our chief competitors are the other guides." (See related story on Page S-26.)

CPI uses its cable operators as its distributors for the magazine, which costs subscribers anywhere from 75¢ to \$2. The publisher started charging for the magazine about a year ago, but only about 10% have been converted to paid status. Mr. Vandenburg is aiming to increase that percentage to 60%, although he realizes the process will take time.

"We have found that the people who really use the guide are prepared to pay for it," he says. "When you give a guide away, about 20% to 30% of the people throw it away. If we can get 60% paid and figure in those that throw it away anyway, then there's only a 10% gap."

The Cable Guide has a rate base of 6 million nationally and also charges its 20 multiple system operators for the guide. The operators can either sell it (which about one-third do, for anywhere from 75¢ to \$1.50) or include the guide in its package to subscribers who buy two or more pay services.

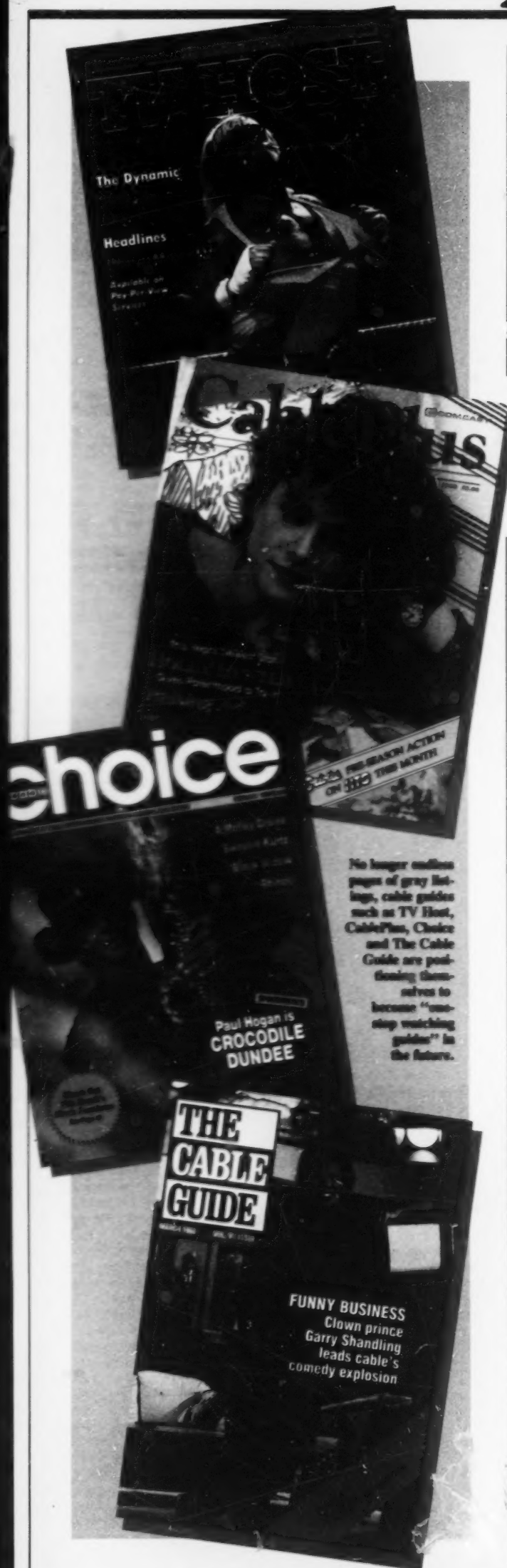
(The cable publishers declined to say what they charge the operators for the guides. Nor would cable operators divulge what they pay for the guides or how much revenue they get from selling the guides to subscribers.)

"The cost we charge the cable operator depends on distribution, locale and volume," says Neil Heller, president of *The Cable Guide*, which is published in 500 versions. (The 50,000 pages of different listings are printed in a 10-day production period.) The average length of the monthly guide is 248 pages, which includes 200 pages of listings.

The Cable Guide had a heady 1987, gaining 2 million subscribers over the previous year. Advertising revenue shot up 68.4% in 1987, from \$11.5 million in 1986 to \$19.4 million in 1987. Advertising pages for all of '87 climbed 55.4% over the previous year. And the publisher reports the first two months of 1988 brought continued growth, with ad pages up 18.6% over the same period in '87 and ad revenue up 51.7%.

New sign-ons in the first four months include major advertisers such as Prudential, Panasonic, Seagram, Chevrolet, Ford and Chrysler, according to Mr. Heller.

The Cable Guide is over-delivered. (Continued on Page S-22)





"Regis Philbin's Lifestyles" has developed a following on Lifetime.

Female audience lifeblood of Lifetime

Tom Burchill has good reason to smile.

Lifetime Cabletelevision Network, of which he is president-ceo, projects a 40% increase in ad revenues in 1988 following record revenues in 1987.

The channel turned its first profit more than a year ago and has now solidified its position as the top cable network for reaching a female audience. "We view it as the right niche and the right segment to reach," Mr. Burchill says. "Magazines and radio went from mass-market vehicles to segmentation. TV is going through the same transformation. We're at an age when cable is moving toward personalization."

"The bulk of what we do is demographically pure. We want to reach upscale working women without diluting

the audience. To me, the attractiveness we've provided advertisers in the advent of people meters is a predictable demographic profile. It's a safety net to advertisers."

While some advertisers such as including Johnson & Johnson continue to use cable as a small supplemental buy, others—among them—Gillette Co., Lever Bros. Co., Procter & Gamble Co. and Weight Watchers International—have been on Lifetime since the merger of Daytime and Cable Health Network formed the channel in 1984.

Soon after the merger, Lifetime dropped much of Cable Health Network's family fitness, science and medicine programming in favor of Daytime's bent to provide alternative programming for women.

(Continued on Page S-27)

Turner explodes barrier via TNT

By Wayne Walley

Ted Turner likes to swim upstream.

At a time when this flamboyant entrepreneur has been rocked by financial turmoil and forced to sell off part of his company, he's attempting lately to expand his empire.

His latest venture: Turner Network Television, a new 24-hour, ad-supported "super" basic cable channel set to launch Oct. 3 with the exclusive cable TV premiere of "Gone With The Wind."

"Ted Turner had to do it," says Bart McHugh, senior VP-director of national radio/TV programming, DDB Needham Worldwide, New York. "There are storm clouds over the future of superstations. He needs a unique network. The cable industry has money to buy programming, but the question comes down to

where do they put it? Cable operators virtually own TNT, so this could be the place."

As a home for cable-exclusive programming and high-profile events, some industry observers believe TNT could be the drawing card to bring more subscribers to cable TV and push the penetration level, now at about 51%, to 60% or even 70%.

To make it, all work, however, the new channel needs subscribers. Prime Cable's Atlanta system, with 150,000 subscribers, became TNT's first affiliate in March. Other MSOs also signing last month include Jones Intercable, Galaxy Cablevision and Cardinal Communications, which combined add another million subscribers to the TNT base, but Mr. Turner is hoping for 30 million by the October launch.

"If we've got 30 million subscribers, we can move the official NBA package



WTBS went for nostalgia in airing the "New Leave It to Beaver" series.

Spruced-up guides

A little promotion, marketing and upgrading of the editorial matter is making a bevy of cable guides increasingly attractive to advertisers, systems and subscribers

(Continued from Page S-18)

ering right now, so plans call for ad rates to increase by about 15% in June (a color page ad currently costs \$53,400 and a b&w page is \$41,120).

The guide also is sprucing up its image, having just unveiled a new design format in its March issue. Plans also call for more entertainment features, and a new editor, former *US* magazine Managing Editor Jay Gissen, assumed his duties last month.

"As the advertising increases," says Mr. Heller, "the magazine will get even more attractive. We've always been a service guide and we'll continue to be that, but we plan to be read as an entertainment vehicle in the future," he adds.

CPI started out with a circu-

lation of 25,000 in Waltham, Mass., just six years ago. Plans call for opening this month of a 10-person advertising sales office in New York. And Mr. Vandenberg says he hopes to add Chicago and Los Angeles offices by the end of the year.

"Cable is becoming an accepted medium," he adds. "And even though our national advertising revenue isn't there yet, we had \$2 million in ad sales last year and we expect to at least double that this year." Target categories include cigarettes, package goods, automotive and home electronics.

The trend toward paid guides is one that will continue, says Mr. Pirnik of TV Host Inc., whose guides have a combined circulation of 2 million and are distributed by 30 cable opera-

tors. "The cable operator needs revenue streams and the sale of the guide is lucrative," he maintains.

But not everyone thinks that's necessarily true. "It's not a significant source of revenue for us," says Jeffrey Wayne, executive director of marketing and advertising sales for Colony Communications, a cable company in Providence, R.I. Subscribers pay anywhere from \$1.50 to \$3 to receive *The Cable Guide*.

But he agrees the monthly guide can give a cable company a leg up on its own marketing efforts. Cable operators typically are given several pages within the monthly guide, with such uses as advertising contests or just providing information about how subscribers can read their monthly cable bill.

"It's a tremendous service," says Mr. Pirnik. *TV Host* is sold to subscribers (and on newsstands) for anywhere from 50¢ to \$2 a month. "The magazine is distributed through the cable system so how it works is up to them," he says, adding that some package it into the

service at no charge while others sell it separately.

But not all cable operators think cable guides are as necessary as they were a couple of years ago, before newspapers added cable listings.

"I have mixed emotions about cable guides," Mr. Wayne says. "Newspapers are doing an excellent job of putting together a prime-time grid showing exactly what's on cable... The absolute necessity of having a guide is not what it was a few years ago. But, the guides focus specifically on cable programming and show viewers what channels the shows are on so they're important for retention and for giving us a place to market new products."

The *Chicago Sun-Times* has been offering cable listings for about four years, but not because it felt it had to compete with the cable guides, says Jim Wagner, "TV Preview" editor. "They can't compete with the dailies," he says.

"First of all, the public perception is that we offer cable listings as a true public service. It has nothing to do with com-

petition. And secondly, we provide daily listings in the paper and weekly listings in our TV guide, so our information is more current than a monthly publication," he says.

The *Sun-Times* TV supplement has grown from 50 pages, before it added cable listings, to about 100 pages a week, he adds. "Our readership is responsive to cable. We believe about 33% have cable, so we're responding to their needs."

The *Los Angeles Times* has offered cable listings since 1980, says TV editor Aleene MacMinn, and since that time has added eight pages to its Sunday "Television Times" to accommodate the cable services. "And I could easily use four more pages," Ms. MacMinn says.

"I'd like to think people look for the cable listings in their daily newspaper so that they don't have to go to two sources. Hopefully, they read the paper and stick with us for the TV listings," she adds.

over to TNT. That's part of contract with the NBA," Mr. Turner told the Southern California Cable Association in March. "That will also allow us to put 25 Atlanta Hawks games back on Superstation TBS, and it means the cable industry will be able to offer 75 NBA games."

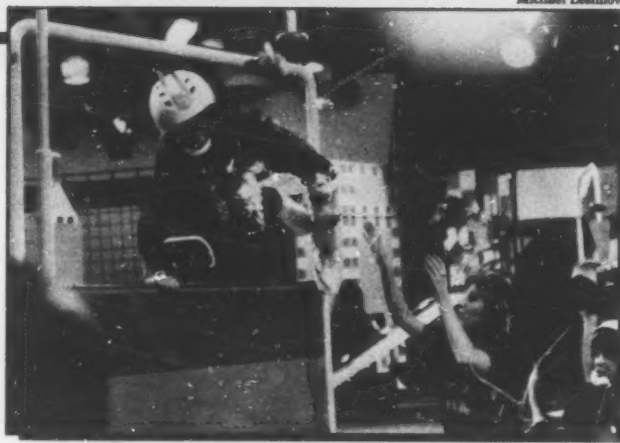
But the goal of lining up 30 million subscribers—about two-thirds of all current cable subscribers—for a new cable channel in six months could be far-fetched.

Turner executives project 10 million to 15 million subscribers by October, which would be the largest subscriber launch of a cable network ever and immediately qualify TNT for tracking by A.C. Nielsen Co.

sights.

"I was warned by my board—don't get people's expectations too high. Let Rupert Murdoch do that," Mr. Turner says. "But those of you that know me know I've really wanted to do some high-profile original programming for cable. If we start with 30 million subscribers, we could move our programming budgets up a year. The budget now is \$40 million for original productions in 1989; \$90 million in 1990 and \$150 million in 1991."

TNT, he said, will start with one high-profile program a month in addition to sports programming and premieres of classic films from the MGM library, both colorized and original.



The antics of "Double Dare" are resulting in spinoffs for networks.

The channel will kick off Oct. 3 with the first half of "Gone With The Wind." The second half will follow on Oct. 4 with a two-hour documentary, "The

Making of Gone With the Wind," scheduled for Oct. 5.

MTM's first major made-for-cable production will be a 10-hour miniseries titled "The

History of Hollywood." The project is the culmination of a two-year project with the British Broadcasting Co.

"The one thing that's helped us sell this to the cable operators we've talked to and to our board was most cable networks spend about 50% of their income on programming. But for the first three years, TNT will be spending more than 80% of its total revenues—advertising plus subscriber fees—on programming. We can do it because we don't have to create another overhead," Mr. Turner says.

Turner executives expect TNT could have a prime-time schedule dominated by original programming within five years.

ImmEDIATE national ratings may help persuade some advertisers to come on board, but most media buyers remain skeptical.

"Ted is brilliant. He's often ahead of himself and the industry, but on this one he'll have to prove a lot of things," says Chuck Bachrach, senior VP-media, Western International Media, Los Angeles.

"The problem is Turner could price TNT out of the marketplace because they need the money. Already TBS seems to be priced more on the company's financial needs than media needs. USA Network, Lifetime Cable Network, The Nashville Network and CBN Cable Network are all pricing time more efficiently right now," Mr. Bachrach says.

The price of time won't matter, should TNT gain rights to top events like the Grammy Awards, the Olympic Games, Major League Baseball or "anything else we can think of," targets Mr. Turner painted last October. But now the chairman of Atlanta-based Turner Broadcasting System has lowered his

The cable guides don't think the dailies can do what they perceive as a job cut out for them. "The papers are not complete," says Mr. Vandenberg of CPI. "People buy a newspaper for one reason but it has nothing to do with TV listings."

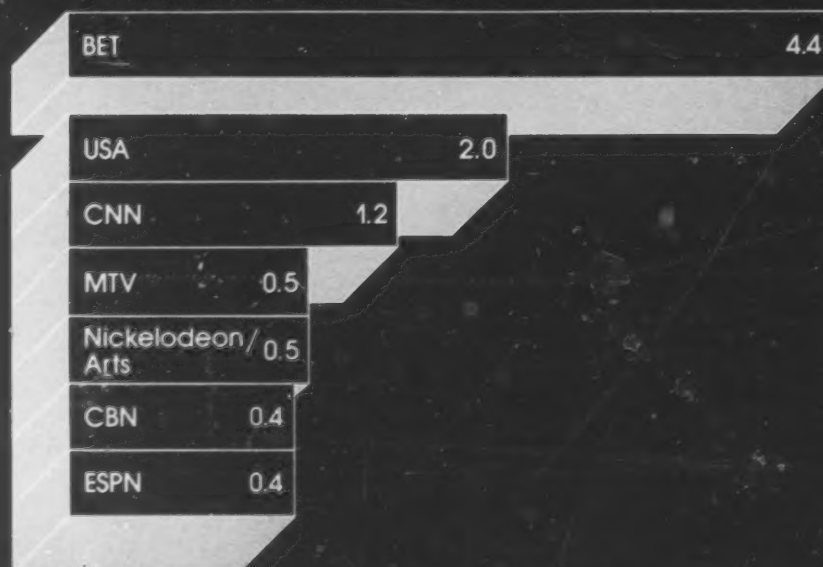
That sentiment is shared by *The Cable Guide's* Mr. Heller. "Newspapers or supplements have no major negative effect on us, because our guides are system specific. The Sunday newspaper includes the services a cable subscriber has and those services he doesn't have. Our guide is more comprehensive and detailed. We have 20 different versions of our guide in Chicago alone to match the different systems."

Cable guides, says Cabletelevision Advertising Bureau President Bob Alter, are well positioned for success in the years to come. "They have gone from being a technical service to one that is programming driven. In the future, cable operators will be more aggressive in audience promotions, which will help position them well for future."

BLACK ENTERTAINMENT TELEVISION

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BET has the *highest* concentration of viewing in black households, more than any basic cable network.

BET provides the perfect program environment for reaching the viewers who traditionally purchase more package goods, beverages and beauty aids than the average consumer.

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THE URBAN CONTEMPORARY CHANNEL

SOURCE: Nielsen Homevideo Index Telephone Compendial, October 27, 1987 (8 PM-11 PM Eastern)

Cable's 'big ticket' programming



NFL Football
\$153 million
 (39-game, three-year deal)
ESPN

■ ESPN's deal with the NFL was not only the most important programming milestone in cable TV history, it was a brilliant strategic move. In one fell stroke, Capital Cities (80% owner of ESPN) made ABC's NFL package profitable; it elevated ESPN's prestige; it lessened the glut of NFL on network TV, which was killing the sport; and it opened the door for dozens of other major ventures to come to cable.



It's Garry Shandling's Show
\$400,000
 per episode (to produce)
Showtime

■ Garry put Showtime on the map. He appeared when the struggling network desperately needed visibility and desperately needed something to differentiate it from HBO. "Shandling" now runs on both Showtime and Fox. There's a question about whether this move to Fox will ultimately dilute the show's drawing power on Showtime. It probably will. Ironically, cable executives have been pleading for original and unusual first-run shows. Then they get one and promptly sell it to one of the networks.



Miami Vice
\$250,000
 per episode
USA Network

■ The "Vice" is coming to cable! Big deal. Cable TV has a disconcerting habit of picking up off-network shows that are dying fast deaths. Once-potent "Vice," produced by MCA, is a sorry has-been and due for cancellation. MCA (which owns half of USA) could literally not give this show away in the syndication after-market. How convenient to sell "Vice" to its own division. USA has trumpeted this as a great coup. It's really just another uninteresting program acquisition.



Murder She Wrote
\$350,000
 per episode
USA Network

■ With "Murder," we have yet another example of an off-network hour that could probably not cut it in the much more lucrative world of syndication. The difference between "Vice" and "Murder," however, is that "Murder" is still genuinely popular on network TV. "Vice" is genuinely not. MCA (which not coincidentally owns half of USA and all of "Murder") is probably smart to let "Murder" run on USA before moving it into syndication. After all, the syndication market just might be warm up to hour shows one of these days.

By Eileen Norris

King of the mountain keeps up with devotees

If the plethora of cable guides making the rounds these days seems to resemble the 35-year-old TV Guide, it doesn't appear to rattle William Deitch, the weekly magazine's general manager. In fact, he's rather amused by it all.

"You know what they say... imitation is the sincerest form of flattery. Of course, we don't want anyone using our logos or any of our property, but if our successful formula causes emulation, it tells you something about what we really are," he says.

Just as the cable guides seem to think looking like the TV Guide might bring them more readers and advertisers, so has the Triangle Publications magazine warmed to cable.

In a limited sense, TV Guide has been carrying cable listings since its debut in 1953. But that was only because parts of rural America couldn't receive TV signals without the help of underground cable. It wasn't until 1978 that TV Guide added cable listings, beginning with HBO.

But a lot has happened in a few years. In 1980, cable listings accounted for 16% of the Radnor, Pa.-based magazine with a whopping 17.6 million circulation. Today, 53% of the

publication's listings are devoted to cable.

Cable has created complications, says Roger Youman, co-editor. "There are more choices, and it's hard to figure out what to watch and when. As cable has grown, so have we. We want to provide

■ 'TV Guide' now devotes 53% of its listings to cable and vows to keep up with its audience

our readers with information that is important to them."

Obviously, if viewers are paying more attention to cable, he says, TV Guide will keep increasing its cable features and listings. "We're governed by the magazine we are, and people buy us to get information about TV," he adds.

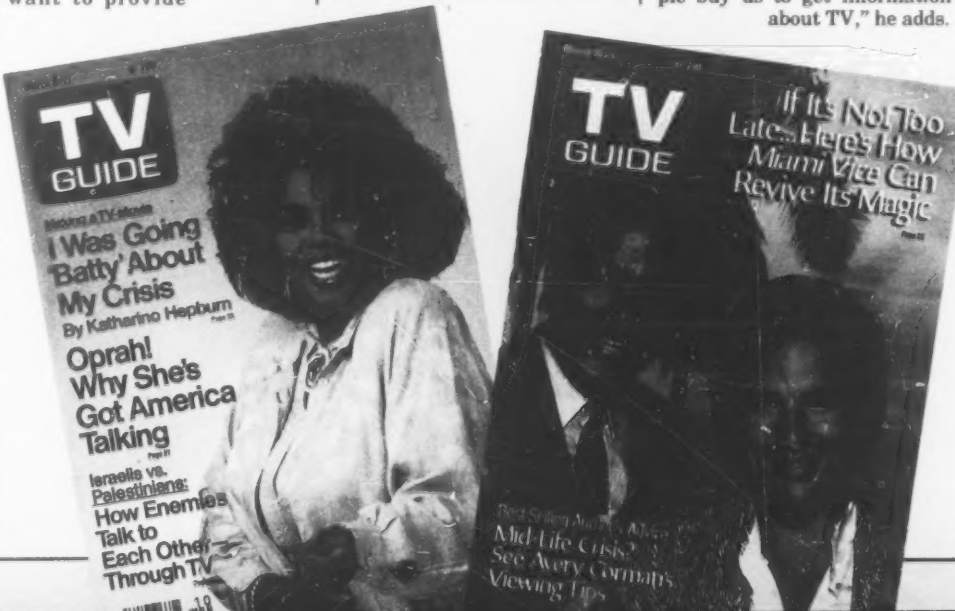
TV Guide was partly prompted to take more interest in cable television, says Mr. Deitch, by the 1983 introduction of Time Inc.'s TV-Cable Week. "Anytime a publication gets introduced, you take it seriously," he says.

"It was time for us to make additional commitments to cable and apparently the readers agreed. We're more successful and they're (TV-Cable Week gone.) The magazine crashed after only a few months.

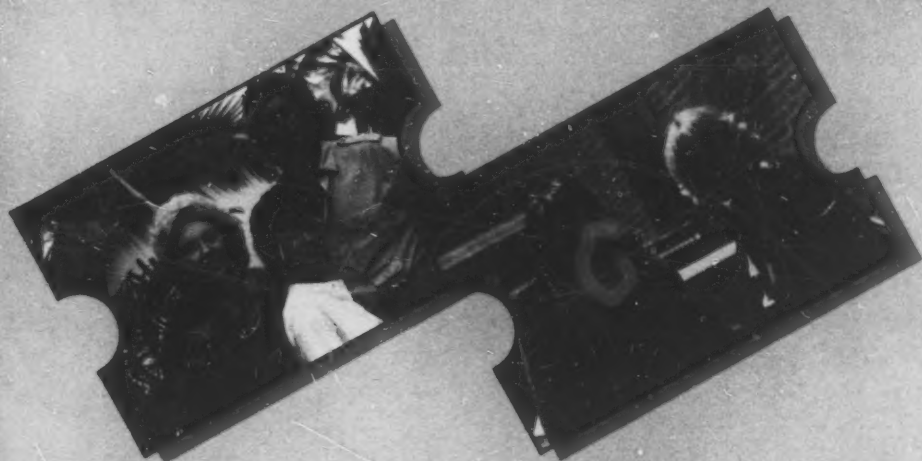
Keeping up with cable and its growing number of services has proven to be more complicated for TV Guide. It currently publishes 106 editions, each of which carries about 117 pages of listings and editorial, not including the national features section that wraps around the listings.

The cable listings have increased the production workload; there are 15,000 to 17,000 different pages of programming printed every week. The magazine, which has a Saturday issue date, is available on newsstands the previous Monday or Tuesday, while home subscribers receive the magazine no later than Friday, the day before the week's listings start.

But TV Guide doesn't try to include all cable programming. "If it's a large enough market we'll program it, but no one in-



■ One dramatic indication of cable's growing popularity is its high-visibility programming. Here are some examples of the most watched—and most costly—shows on cable today, along with capsule comments from Verne Gay, ADVERTISING AGE's senior editor covering the broadcasting industry. Program costs shown are AA estimates.



Remington Steele
\$100,000
per episode
CBN

■ "Steele" was one of the first network shows to make the big leap to cable. It kicked off CBN's fall schedule last September. Unfortunately "Steele" does little to differentiate CBN's schedule and helps to reinforce the notion that cable is the final resting place for net TV cast-offs. "Steele" was an amusing trifle during its network years; now it's just another hour to fill up CBN's prime-time schedule.

Cagney and Lacey
\$100,000
per episode
Lifetime

■ Once again, we have an example of a tired network TV show finding new life in cable. This example is a little different, however. Unlike "Vice," "C&L" has a truly loyal and long-standing core audience, which, no doubt, will follow the show to cable. "C&L" also will complement—as well as diversify—Lifetime's general adult women-oriented format. "C&L" came on board in February and will be "exclusive to cable" starting this September.

cludes everything," he says. "Some audiences are too small." Nor is *TV Guide* producing any system-specific editions for cable operators. The editions are based on TV signal areas that cover a particular market.

What *TV Guide* is doing for its cable customers, which Mr. Deitch puts at a "huge number," is offering the magazine at \$2.40 a month (55¢ a copy) through cable systems that are willing to market the magazine as a separate line item on the subscriber's cable bill.

"The magazine is marketed through the cable system as part of the package offered to subscribers. The clear distinction (between *TV Guide* and other cable guides) is that these subs pay for our magazine and it meets [Audit Bureau of Circulations'] circulation and audit requirements," Mr. Deitch says.

While *TV Guide* doesn't have any special promotions for cable systems, it does actively work out agreements with new cable companies to market the magazine, says Mr. Deitch. "Cable is an important market for us; it's big business."

The essential difference, he says, between *TV Guide* and cable guides, is that "they're a marketing tool and we're a magazine that charges customers."

Mr. Deitch adds that he

doesn't know of too many cable guides that have been successful in getting subscribers to pay for their monthly guide. "That will be the real test of how successful they [cable guides] will be."

"That explains why we do so well," he says. "We charge customers the full price and get good rates from advertisers. There are no free rides in this business."

Indeed, no one can deny *TV Guide*'s success. The magazine pulled in \$331.2 million in advertising revenue last year, a \$13 million gain over the previous year.

The newweeklies, *Reader's Digest* and women's service books are seen as chief competitors for ad dollars, and Mr. Deitch says the magazine's toughest test for readers is repeated every week. That's when 8 million copies of the 75¢ magazine are picked up on impulse by shoppers in supermarkets across the country. Subscribers pay 72¢ an issue. The magazine feels it can best reach consumers through TV advertising. A new ad campaign launched this year keys in on specific articles and features appearing in that week's issue.

Mr. Deitch says he doesn't feel threatened by the cable guides and maintains that *TV Guide* will do the best it can to protect its market share. "We cover TV and that means

broadcast and cable and we are more accurate and timely anywhere else."

But Mr. Youman says any publication that puts out information about TV is competition. "And there is a lot more competition today than there has been in the past," he adds. "We're working hard to maintain our position of preeminence in the field," he adds.

While *TV Guide* executives play down the importance of cable guides as a competitive factor in the future, they don't deny that *TV Guide* has trademarked the name "Cable TV Guide," which used to be a department in the magazine. "The name isn't in use now," says Mr. Youman, "but like any other company we want to protect our trademark."

Asked if he sees the day when *TV Guide* might change its name to include the word "cable," Mr. Youman responds, "It's not necessary to change our name. TV is TV and people sitting at home don't care if they get their signal through the air or on cable."

Mr. Deitch is even more adamant about keeping the magazine's identity intact: "Almost everyone in the country recognizes *TV Guide* . . . and there is no brand that has a higher recognition. This franchise has been built over many years and we wouldn't think of changing the name."

Lifeflood of Lifetime

Developing a niche as the top cable network to reach women, Lifetime watches ad revenues soar as it adds marketers like Chevrolet, Beech-Nut, Playtex and Nestle, while continuing to carry Sunday's health, science, medicine fare

(Continued from Page S-22)

"When we started this, most of the cable channels were centered on movies, sports and more male-appeal programming. There was a big gap," recalls Mr. Burchill, who took over the merged networks in 1984.

"At the same time on the advertising side, lifestyle changes resulted in the decline of daytime on broadcast networks. The irony was that it became tough to find women as an ad target at a time when they became a more attractive customer because they were working."

The channel, a joint venture of Capital Cities/ABC, Hearst Corp. and Viacom International, quickly developed much of its own original programming.

Those shows include "The Dr. Ruth Show," "Regis Philbin's Lifestyles," "Wok with Yan," "People in Crisis," "What Every Baby Knows" with Dr. T. Berry Brazelton, "Mother's Day" with Joan Lunden, "Motherworks" with Cyndy Garvey and "Attitudes," a women-oriented talk show hosted by Linda Dano and Nancy Glass.

Not completely abandoning its health, science and medicine roots, the network becomes Lifetime Medical Television on Sundays with such shows as "Doctors' Sunday" and "Doctors' Sunrise."

Today Lifetime is available on more than 3,500 cable systems across the country reaching more than 35 million households.

"If you want to reach women, Lifetime is one of the hottest things on TV," says David Verklín, VP-media director, Hal Riney & Partners, San Francisco.

"Our belief is the American consumer doesn't turn on the TV and say 'Let's watch cable TV,'" he adds. "They watch program or personalities. CNN has Larry King, who is terrific. But the two ladies on Lifetime's 'Attitudes' have started to emerge as two neat personalities on cable."

"At the same time, the networks, in daytime, show an audience composition of 80% female and some older males. This is fine, but the statistics also show 60% of the women 18-49 are now working. This means the network claim to women is really the stay-at-home mother."

"There's equal opportunity now for all," he says. "For reaching the right women, cable, particularly Lifetime, is fast becoming as attractive to buy as the three networks."

Mr. Burchill says cosmetics companies like Cosmair Inc., for its L'Oreal line, and Revlon

Inc. have increased buys this year while car makers such as General Motors Corp.'s Chevrolet and Austin Rover Cars of North America's Sterling have become Lifetime clients for the first time.

Other new advertisers, according to Mr. Burchill, include Beech-Nut Nutrition Corp., International Playtex, Kitchenaid and Nestle Foods Corporation.

Last year Lifetime aggressively pursued off-network shows, landing short-lived female-appeal series "Jack & Mike," "Kay O'Brien," "Lady Blue" and "Partners In Crime."

"Falcon Crest" failed to live up to expectations on Lifetime, but Mr. Burchill has been pleased with the performance of "Cagney & Lacey." Lifetime licensed 125 episodes for a pre-syndication window beginning Feb. 1.

"It's a little easier to determine what to go for in terms of acquired programming," he says. "There's research that shows which are the most appealing and upscale. We also punctuate the regularly scheduled shows with specials or events. A special this fall will be about the impact of AIDS on women."

But Lifetime's future likely lies within its expanded original production efforts.

Construction of the channel's TV facilities at the Kaufman Astoria Studios in New York is expected to be complete in September.

"The advantage of cable is you don't need to make a decision about a show's future in four to six weeks," he said. "Dr. Ruth's show was uneven at first, but we were able to work the bugs out and the personality came through. 'Attitudes' is for, by and stars two women. It's in its third year and growing."

Plans are expansive. "The studio will give us new flexibility," Mr. Burchill says. "You need to take risks and try things to achieve some hits. We might be able to do women's sports like tennis, the Olympics and basketball. And we also want to produce our own drama and an entertainment gossip show."

—Wayne Walley

Executive editor Features/Special Report Robert Goldsborough coordinated this report on Cable TV.

Coming

Next week ADVERTISING AGE's Special Report will focus on Magazines.

Data bank — Cable TV

Top cable multi-systems operators

Ranked by number of subscribers

Company address, telephone	Chief executive	Basic subscribers/date, percentage of market penetration	Geographic range	Parent company
1. TCI Telecommunications Inc. Terminal Annex PO Box 5630 Denver, Colo. 80217 (303) 721-5500	John Malone, president	5,200,000/1-88 57%	44 states	self
2. ATC American Television & Communications Corp. 160 Inverness Dr. West Englewood, Colo. 80122 (303) 799-1200	Trygve E. Myhren, ceo	3,700,000/1-88 57%	32 states	Time Inc. (owns 80%)
3. Continental Cablevision Inc. The Pilot House Lewis Wharf Boston, Mass. 02110 (617) 742-9500	Amos Hostetter, chairman	2,112,000/1-88* 50%	15 states	self
4. Storer Cable Communications 12000 Biscayne Blvd. Miami, Fla. 33181 (305) 889-1000	Ken Bagwell, ceo & president	1,459,000/2-88 58%	12 states, East & South	SCI Holdings
5. Cox Cable Communications 1400 Lake Hearn Dr. Atlanta, Ga. 30319 (305) 899-1000	James O. Robbins, president	1,438,057 57%	17 states	Cox Enterprises
6. Warner Cable Communications 400 Metro Place N. Dublin, Ohio 43107 (614) 792-7000	James Gray, president	1,410,190/2-88 52%	11 states	Warner Communications
7. Comcast Cable Communications 1 Belmont Ave. Bala-Cynwyd, Penn. 19004 (215) 667-4200	Robert B. Clasen, president	1,342,500/2-88 55%	14 states	Comcast Corp.
8. Century Cable 50 Locust Ave. New Canaan, Conn. 06840 (203) 966-8746	Leonard Tow, president & ceo	1,240,000/5-87 56%	21 states & Puerto Rico	Century Communications Corp.
9. United Cable Television Corp. 4700 S. Sycamore, Plwy #1100 Denver, Colo. 80237 (303) 779-5999	Gene W. Schneider, chairman	1,167,355/2-88 56%	17 states	self
10. Newhouse Broadcasting 4 Newhouse PO Box 4872 Syracuse, N.Y. 13211 (315) 455-5971	Robert Miron, president	1,085,478/1-88 65%	18 states, South, East & Midwest	self
11. Viacom International 5924 Stoneridge Dr. Pleasanton, Calif. 94566 (415) 463-0870	Frank Biondi, president & ceo	1,058,808/1-88 59%	7 states	self
12. Heritage Communications 2195 Ingersoll Ave. Des Moines, Iowa 50312 (515) 246-1440	James M. Hoak, chairman	1,044,666/3-88 52%	18 states	TCI
13. Cablevision Systems Corp. 1 Media Crossway Dr. Woodbury, N.Y. 11797 (516) 364-8450	Charles Dolan, chairman	1,021,426/2-88** 71%	10 states, concentrated in East & Midwest	self
14. Jones Intercable 9697 E. Mineral Ave. Englewood, Colo. 80122 (303) 792-3111	Glenn R. Jones, chairman & ceo	935,233/2-88 66%	26 states	Jones International
15. Times Mirror Cable Television 2381 Morse Ave. Irvine, Calif. 92714 (714) 660-0500	Larry W. Wangberg, president	933,980/3-88 57%	14 states	self
16. Sammons Communications PO Box 15216 Dallas, Texas 75201 (214) 742-9828	James Whitson, president	829,781/2-88 61%	18 states	Sammons Enterprises
17. Daniels & Associates 2930 E. 3rd St. Denver, Colo. 80206 (303) 321-7550	Bill Daniels, chairman	798,526/2-88 58%	11 states, South & West	self
18. Paragon Communications 4582 S. Ulster St., Ste. #405 Denver, Colo. 80237 (303) 771-0079	David Van Valkenburg, president	665,000/2-88 52%	8 states, Northeast, West & Florida	American Television & Communications and Houston Industries
19. Cooke Cablevision 21221 Oxnard St. Woodland Hills, Calif. 91365 (818) 713-3800	Brad Ogden, chief financial officer	620,000/2-88 56%	18 states	Privately held by owner, Jack Kent Cooke
20. Cablevision Industries 6 Wierk Ave. Liberty, N.Y. 12754 (914) 292-7550	Alan Gerry, ceo & owner	591,428/1-88 64%	8 states, South, East & California	self
21. Adelphia Communications 5 W. 3rd St. Coudersport, Penn. 16915 (814) 274-9830	John Rigas, president	582,638/3-88*** 66%	9 states, East & Florida	self
22. Telecable Corp. 740 Duke St. Norfolk, Va. 23510 (804) 624-5000	Richard D. Roberts, president	527,843/3-88 62%	14 states, Midwest & South	self
23. Falcon Cable TV 10866 Wilshire Blvd., Ste. #500 Los Angeles, Calif. 90024 (213) 470-4884	Marc Nathanson, president & ceo	527,000/2-88 NA	16 states	self
24. Centel Cable Television 2001 Spring Rd., Ste. #700 Oakbrook, Ill. 60521 (312) 954-4800	John P. Frazee Jr., president & ceo	524,859/2-88 60%	7 states, Midwest & Florida	Centel Corp.
25. Wometco Cable TV Dadeland Towers 9400 S. Dadeland Blvd., Ste. #700 Miami, Fla. 33156 (305) 662-2205	John Lewis, president	402,422/3-88 59%	7 states, South	Bass Brothers

*includes 1-88 purchase of American Cablevision **does not include acquisition to go through in late April ***# 's to increase in late April with consolidation of acquisition Source: Advertising Age Research: Kristine Steven

Advertising Age

Crain's International Newspaper of Marketing. In Two Sections. Section 1.



Photo by Arnold Adner

A gold rush for U.S. titles

By PATRICK REILLY

There's no crest in sight for the wave of foreign acquisitions of U.S. magazines, even with last week's \$712 million acquisition of Diamandis Communications Inc. by French communications giant Hachette S.A.

Fueled by the weak dollar, Australian, British, French and West German publishers are targeting individual U.S. titles and entire publishing companies with a fury.

The next group of foreign publishers expected to make buys in the U.S.: U.K. publishers Reed International and press baron Robert Maxwell's Maxwell Communications Corp., and West Germany's Bertelsmann AG.

All have existing properties in the U.S. and have indicated a desire to expand.

Their targets appear to include a wide range of trade and special-

interest consumer publications, say magazine industry sources.

The possibilities include Petersen Publishing Co. (publisher of *Hot Rod* and *Teen*); titles from Capital Cities/ABC's ABC Publishing; trade publisher Edgell Communications; Lane Publishing (*Sunset*); and *Architectural Digest*, published by Knapp Communications Corp.

"In Europe, there are regula-

An interview with Hachette's U.S. president—P. 90

tions where publishers are really prevented from acquiring anything else in their countries," said John Beni, president of Gruner & Jahr USA, a subsidiary of West Germany's Bertelsmann. "They have money and desire or need to expand, so they look to the U.S., where there is economic stability and a segmented magazine market."

John Veronis, chairman of Veronis, Suhler & Associates, the

investment banker that with Salomon Bros. represented Hachette in the DCI purchase, said:

"Foreign publishers continue to have an enormous appetite for U.S. publications. . . . Don't expect just big buys like Diamandis. You will also see increased interest in joint ventures, taking minority positions and even launching new publications."

One reason is the huge profits U.S. publishers can take away from the deals.

In the Hachette deal, Peter Diamandis, president-ceo, and Prudential Insurance Cos. of America, the company's financial backer, are expected to make a total profit of about \$300 million, about \$100 million of which will go to Diamandis management.

Close to 100 executives at DCI had stock in the company and will benefit from the sale. All employees who didn't have stock will get a one-time \$1,000 bonus.

As for Mr. Diamandis, sources close to the sale estimated he

(Continued on Page 90)

Last Minute News

Sears to try 'superstores'

CHICAGO—Sears, Roebuck & Co. will launch a chain of appliance and home electronics "superstores." The No. 1 U.S. retailer for the first time will sell brand-name appliances in addition to its own brands, *Crain's Chicago Business* reports. Sears will create a "superstore" environment in existing full-line Sears outlets in late summer or early fall in an undisclosed market. In the initiative's second phase, an undisclosed number of free standing stores operating under a Sears banner will be created. Ogilvy & Mather is Sears' agency of record.

Coca-Cola rumors bubble

ATLANTA—Coca-Cola Co. agency and company sources denied rumors last week that John C. Reid, 37, Coca-Cola USA senior VP-marketing, is leaving to direct a 1990 mayoral campaign here. The rumor was one of several circulating in the past few weeks about Coca-Cola. Some speculated

(Continued on Page 8)

INSIDE:

Suncare marketers let tans fade. P. 4
How did they shoot that spot? P. 58
Do admen know right from wrong? P. 88
Hot Stuff shows new commercials. P. 89

See new Up for Grabs column, P. 86

Courts can't stop IBM's breakaway

By JON LAFAYETTE and GARY LEVIN

NEW YORK—The movement of IBM Corp. business from Lord, Geller, Federico, Einstein to Lord, Einstein, O'Neill & Partners may be unstoppable—despite last week's surprising court order.

Concerned about the assignment of ad projects to Lord Einstein, made up largely of breakaways from Lord Geller, acting New York state Supreme Court Judge Herman Cahn temporarily prohibited Lord Einstein from accepting or soliciting any LGFE clients and from hiring more LGFE employees.

Despite the stay, the IBM project work Lord Einstein received may indeed be open-ended, allowing that relationship to grow.

That would dilute the victory WPP Group Chief Executive Martin Sorrell appeared to win in court April 14, sources say.

The stay was much more comprehensive than the narrow injunction that Judge Cahn had issued against Lord Einstein two

weeks ago, and it will last until another hearing is held next week.

Still, the stay "specifically does not include any business now maintained by Lord Einstein," Judge Cahn said.

Making an indirect reference to IBM, he added, "Lord Einstein may finish the business it already has but may not solicit or accept any new business."

Thomas Schwarz, a lawyer with Skadden, Arps, Slate, Meagher & Flom, the law firm representing the new agency, said that "for the short period of time, [the new order] is not something people can't live with."

As for the next hearing, Mr. Schwarz told *ADVERTISING AGE* that he might call clients to the stand to prove they weren't solicited improperly.

IBM last week confirmed it had shifted "a number of time-dependent advertising items" to Lord Einstein from Lord Geller "to complete IBM's work on a timely basis" (AA, April 11). But IBM watchers believe those projects

(Continued on Page 92)



Dick Lord rode the subway last Thursday from the courthouse.